

Advertising Brokerage Firm

Cover Art Advertising

12314 Stumpe St.
Regina, Saskatchewan S4X 1K7

Gerald Rekve

Cover Art Advertising will create a vinyl cover to fold over the Yellow Pages phone book's paper cover. This cover will provide advertisement opportunities for companies in the area. Cover Art Advertising will sell this advertisement space to companies on an annual basis.

BUSINESS OVERVIEW

We will be in the advertising business in the city of Regina, Saskatchewan. Our main focus will be to sell advertising space on phone book covers to local merchants. We will go out to the merchant's place of business and sell advertising space on the phone book covers. The phone book cover will be made out of vinyl and have twelve spots on the front and back and two spots on the spine. These spots will be posted for a period of twelve months.

Mission

Our mission will be to offer our advertisers a place to advertise on the phone book cover that gives the advertiser good value for the money spent. This cover also offers home owners a method to protect the book from becoming ripped and tattered. The phone book cover will be designed to look nice and all the ads on the phone book cover will be of a family nature.

Objectives

Our goal is to become a company that offers advertisers methods to increase their company's exposure by advertising on our phone book cover. Our main goal for the first year will be to have a sold out phone book cover in our local market, then based on these successes we will offer the phone book cover to other markets in the other cities in our province. These cities include Saskatoon, Prince Albert, Yorkton, Moosejaw and Swiftcurrent.

Market sizes:

Regina	195,000
Saskatoon	220,000
Prince Albert	95,000
Swift Current	22,000
Yorkton	17,000
Moose Jaw	25,000

In our first year we want to sell out the Regina phone book cover. In the long term we want grow our business to one profit market at a time.

BUSINESS STRATEGY

We will always focus on what's best for our business, our advertising clients and our home owners who will be using the phone book cover on a daily basis.

Our market will be the business advertisers in the phone book itself. This is a crazy concept because "Why would you spend money advertising on the cover of the book if you have an ad inside the phone book?" The answer is simple. The cover of the book is key because the advertisement will be at the top of the consumer's mind.

The business owners can be from all sectors except for the adult entertainment industries.

The phone book industry is considered mature with possible beginning market penetration lost to the internet phone books. As we look forward we project that the internet phone books will take a greater share of the phone number searches that take place. Having said this, we feel the phone book companies will take strategic positions to protect the mature phone book industry. We feel this will be one of our major advertising benefits, since the ad on the phone book's cover gives the advertiser "top of mind exposure".

MARKET ANALYSIS

Currently there are approximately 15,000 Regina-based businesses listed with the business licensing branch of the government. Of these 15,000 there is no way to know how many are in business until we start to call on them to sell advertising space.

There are a few major segments of these businesses that are broken down into categories such as:

- Home services
- Business services
- Auto services
- Food & restaurant services

We will take from these sectors the largest business advertisers in the yellow pages and make a short list of target customers to call on and make presentations too.

Customers

Biggest Advertisers

We broke down the phone book and separated the biggest advertisers. We did this because the advertising rates we will be charging the clients will be expensive. Knowing the biggest advertisers will allow us to sell only to clients who have the ability to pay our rates, and achieve our goal of being able to pay all our expenses with 55 percent of the book's cover sold. We want to be in a strong profit position to be able to expand into other markets.

Home Services

These services will include everything from home improvements and renovations to building. We will go through the phone book and select all the advertisers with advertisements larger than a half-page to start. Then we will make sales calls to each one of these businesses. We will make the sales call in person to limit the amount of gatekeeper turn away. A gatekeeper is someone in the business that limits access to decision makers, therefore limiting our ability to talk with the person that can say yes to our proposal. As well by making sales calls in person we can talk with staff and try to create a friendly relationship to start. Making sales calls over the phone for our product is harder and less successful on the first attempt.

Here is the list of advertisements with more than a half-page.

Cleanrite – 2 pages	International hair 1/2 page	Bennett ford 1/2 page
Chem dry – 1 page	Chatters 1/2 page	Wheaton GM 1/2 page
Dominion carpet – 1 pages	En vogue day spa 1/2	Auto gallery 1/2 page
Cameo – 1/2 page	Auto services	RMP GM auto sales 1/2 page
Steamatic – 1/2 page	Malibu chamois shine 1/2 page	Auto parts plus 1/2 page
Superior – 1/2 page	Custom car care 1/2 page	Canadian tire 1/2 page
Dream carpets 1/2 page	Provincial auto body 2 pages	Auto electric 1/2 page
Baynes carpet 1/2 pages	LK Auto body 2 pages	Parts source 1/2 page
Flooring centre 1/2 page	Western auto body 1 page	Budget car rental 1 page
End of role 1/2 page	Bergens auto body 1 page	Thrifty car rental 1 Page
Prestige interior 1/2 page	Advanced collision 1 page	Enterprise rent a car 2 page
United carpet 1/2 page	Auto host 1 page	Wheat Country Motors 1/2 page
Overhead doors 1/2 page	A B auto body 1/2 page	Avis rental 1/2 page
Regina window sales 1/2 page	Matrix auto body 1/2 page	National Car rental 1/2 page
Provincial window door 1/2 pages	Carfax auto body 1/2 page	Discount car rental 1/2 page
Glacier glass	Macco auto body 1/2 page	Auto host 1/2 page
Friendly appliance 1 page	Brady's autobody 1/2 page	Uhaul 1/2 page
No 1 Appliance tech 1 page	Professional auto body 1/2 page	Courtesy Auto rental 1/2 page
Re- Appliable parts 1 page	Regina auto body 1/2 page	Plainsmen Auto 1 page
Low Cost appliance 1/2 page	Wascana auto body 1/2 page	Autopro 1 page
Ace repair 1/2 page	Will's auto body 1/2 page	General lube 1 page
Econo maytag 1/2 page	Cap city auto body 1/2 page	Performace auto 1/2 page
Active appliance 1/2 page	Dilawri auto body 1/2 page	JPL Auto 1/2 page
His hers hair 1/2 page	General lube 1 page	Taylor Auto body 1/2 page
Image 1 – 1/2 page	Taylor auto sales 1 page	Anderson collision 1/2 page
Aveda 1/2 page		Image Auto body 1/2 page

The list provided above is just a small sample of how many advertisers are using the phone book. In our assessment there are at least 500 advertisers who ran an ad half-page or larger in the phone book. This represents at least \$2,400,000 in annual revenue for the phone book for these half-page advertisers. On our phone book cover we will only have 67 spots to place advertising on and all of these spots are cover locations with high visibility. Based on our review of the market we are projecting to capture \$140,000 in gross sales from the phone book cover in the Regina marketplace.

Customer Characteristics

All of our target clients will have already committed at least \$9,500 annually to the phone book advertising. This means they know where they get the best bang for their advertising dollars. The addition of our phone book cover advertising expenses can be sold as an add-on. Since our lowest cost ad sells for \$1,795 the advertiser can maintain the ad in the phone book and add the cover space as a bonus to their current advertising.

Our clients spend about 40 percent of their advertising budget in the phone book and will spend the rest in newspapers, flyers and radio, etc. This means our target clients spend about \$28,000 annually on advertising. We are only asking for 5 percent of this to cover the cost of a 12 month ad on our phone book cover.

Customer Needs

All of clients will have one thing in common. They want to reach as many of their target clients as possible in order to maximize the efficiency of their advertising spending. Our clients want front page exposure at low input costs.

Customer Buying Decisions

Most of our clients are small locally owned businesses that can make buying decisions with local management and ownership. This will greatly increase our ability to sell to the right person in each company and make sure we will be able to influence the buying decision with our presentations.

COMPETITION

Radio stations

Frequency	Name	Format	Phone	Address
88.9	CKSB-1	CBC-French Music	306-347-9540	2440 Broad Street, Regina, SK S4P 0A5
90.9	CFVZ	Sports		Moose Jaw
91.3	CJTR	Community Radio	306-525-9741	1102 8th Avenue, Regina, SK, S4R 1C9
91.7	CBK-3 (Yorkton)	CBC Radio Two (talk/classical)	306-347-9540	2440 Broad Street, Regina, SK S4P 0A5
92.1	CHMX ("Lite 92")	adult contemporary	306-546-6200	2060 Halifax Street, Regina, SK, S4P 1T7
93.1	CFRY	Country	(204) 239-5111	350 River Road Portage la Prairie MB
94.1	CFGW "The Fox"	adult contemporary	306-782-9410	120 Smith Street East, YORKTON, SK S3N 3V3
94.1	CIMG "Eagle 94.1" (Swift Current)	classic rock	306-297-2671 Fax: 306-297-3051	410 Centre St, Shaunavon, SK S0N 2M0
94.5	Jack FM	Top 40	306-525-0000 Fax 306-347-8557	210-2401 Saskatchewan Drive Regina SK, S4P 4M8
95.7	CBK-4 (Swift Current)	CBC Radio 2	306-347-9540	2440 Broad Street Regina, SK S4P 0A5
96.3	CBK	CBC Radio 2	306-347-9540	2440 Broad Street Regina, SK S4P 0A5
97.1	CKFI "Magic 97.1"	adult contemporary		Swift Current
97.7	CBKF	CBC French	306-347-9540	2440 Broad Street Regina, SK S4P 0A5
98.9	CIZL "Z 99"	Adult contemporary	306 525-0000 Fax: 306 347-8557 Studio: 306 936-9999	210-2401 Saskatchewan Drive Regina, SK, S4P 4H8
99.1	CHRI - Z99	Regina Christian Radio		
100.7	CILG "Country 100"	Country	306-692-1007	1704 Main Street North MOOSE JAW, SK S6J 1L4
102.5	CBC1	Canadian Broadcasting Corporation	306-347-9540	2440 Broad Street, Regina, SK S4P 0A5
104.9	CFWF ("Wolf")	Rock	306-546-6200	2060 Halifax Street, REGINA, SK S4P 1T7

TV Stations

Global TV
CBC TV
CTV TV

Newspapers

LEADER POST – Daily newspaper
Regina Sun – Weekly newspaper
Prairie Dog – Bi weekly newspaper
Senior Today – Monthly newspaper
Auto Trader group of publications

Yellow Pages

Direct west yellow pages

Based on our market research, the yellow pages will be our greatest competitor and source of leads.

Risk Factors

There will always be risks going into business; however by knowing those risks from the outset we will greatly reduce our chances of failure based on our ability to plan for these risks.

The greatest risk would be another company to try to sell these types of phone book covers. These phone book covers are not in any of these markets based on our research to date. We would from the very beginning advertise the fact we are producing the phone book cover. This we are confident would greatly reduce the risk of competitors starting to sell a similar product now that they know about us. Another risk is if the Yellow Pages company sells ads on the phone book cover itself or sells a vinyl cover like ours. We feel this will not happen for a number of reasons. First the phone book is owned by a government agency which also owns the phone company. This being said, they also risk alienating

existing clients on the phone book inside because they would have the same limitations as we would in the number of advertisers they can put on the cover.

Another risk is if the phone book company in the second year that we produce the cover goes to our clients and offers them free ads in the phone book or reduced costs. This is most likely the greatest risk we face. Having said this we feel that this will only strengthen our sales pitch. Advertisers will not want to lose the front page exposure we are going to give them.

Finally the last risk is if clients do not accept our proposal and decline to advertise on the cover. We have mitigated this by reducing our risk by doing solid market research.

MARKETING & SALES

Strengths

Our key competitive strength will be the fact that there are only 64 places on the cover we produce to place an ad on. This greatly increases the value of the spots. This also gives our advertisers stronger market presence and exposure to the Regina market place.

We will be the only place in Regina where the consumer's ad will be in front of all the Regina marketplace for twelve months.

Weaknesses

Unfortunately, once the ads are placed, we will not be in the market for twelve months. The ads are all twelve-month ads. Also we can only sell ads to sixty-four advertisers.

Strategy

Our strategy is simple, place our phone book cover in every house and apartment in Regina. This allows us to give the advertisers maximum exposure. We will make sales calls to all our target clients.

We will hire two advertising sales staff to sell advertising to our targeted advertisers. Once we get set up, we will start selling advertising four months in advance of our deadline. This will give us the ability to make sure we call on every client. Once this market is completed we will go to the next market.

PRODUCTS & SERVICES

Product and Service Description

We will produce 9 x 7 inch phone book cover that wraps around the whole phone book. This cover will be printed on the outside with sixty-four ads and on the inside cover with eight ads.

Initially, we will offer this cover in eight markets within Saskatchewan.

Positioning of Products and Services

Our phone book cover will be strategically positioned as an ad on to our clients's existing advertising methods. We believe the client will see the benefit to take a small percentage of their advertising budget from radio, TV, newspaper and the phone book in order to get coverage on the cover we are selling.

Future Products and Services

Our main focus will be on phone book covers, and we will expand in areas that support these phone book covers. We will expand into other markets like Alberta and Manitoba in order to expand our business base. We will also keep in mind not to grow too fast that we lose sight of our main region. It

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will be nice to operate in every province in Canada. However we must be realistic also, and not expand too fast which could weaken our company.

Marketing Strategy

We will place strategic advertising in the local newspaper and send mailers via Canada post to target clients. The most important strategy will be to make sales calls on prospective advertisers. These in-person sales calls will be the best thing we can do in order to maximize sales and revenue.

Sales Tactics

Sales tactics will be managed the same way the big players like AT&T, IBM, and Xerox sell. We will have high-end presentations directly to the clients and decision makers. Our professional, well-researched sales presentations will win the hearts of our clients, allowing for our clients to have trust in our firm and our advertising products. At no point will we use negative sales tactics to sell our products. We always talk about our competitors as good companies and our products as a good fit to support present advertising methods.

Advertising

We will budget to advertise our services in the local newspaper and radio stations. We will use the internet to support the sales of our products to our clients.

We will also use our vehicles as a driving billboard, using signage on our minivans. We will also offer our clients a referral discount, if they recommend a friend who in turn runs an ad on our cover.

Promotions and Incentives

As part of our kick-off to get the public to use our phone book cover, each month we will have drawings for TVs, PlayStation 2s, software, etc. So every month the consumer simply needs to drop off their entry to any one of the businesses located on the cover of the phone book. This will insure the advertisers can see the actual draw of the cover to their business and they can track the results.

Once the phone book cover is done for Regina we will place ads on radio stations telling the public to watch for the cover and start playing the contest. We will also try to get as much free PR from the radio and TV stations as well as newspapers.

Trade Shows

We will book the annual chamber of commerce business trade show.

OPERATIONS

Jeffrey Withsot: VP of Operations

Matt Depareot: Advertising Sales Manager

Financials

Yellow page phone book cover

INCOME STATEMENT - For the year ending December 31, 2006

Month	Jan 1	Feb 2	Mar 3	Apr 4	May 5	June 6	July 7
Sales	\$30,000	\$36,000	\$42,000	\$22,000	\$27,500	\$57,500	\$60,500
Net sales							
Cost of sales							
Opening inventory	—						
Phone book cover printing	13,000	12,000	15,000	15,000	19,000	19,000	19,000
	13,000	13,912	17,824	17,578	21,332	21,275	21,217
Gross profit as a %							
Expenses							
Salaries	7500	7500	7500		7500	7500	7500
Other wages	750	750	750	750	750	750	750
Benefits	204	204	204	204	204	204	204
Rent & equipment leases	1,800	1,800	1,800	1,800	1,800	1,800	1,800
Promotion	2,000	275	275	275	275	275	275
Maintenance	250	250	250	250	250	250	250
General and office expenses	300	300	300	300	300	300	300
Telephone and utilities	200	200	200	200	200	200	200
Insurance	166	166	166	166	166	166	166
Depreciation	750	750	750	750	750	750	750
Month	Aug 8	Sept 9	Oct 10	Nov 11	Dec 12	Total	
Sales	\$28,500	\$39,000	\$32,000	\$38,200	\$12,500	\$	
Net sales							
Cost of sales							
Opening inventory							—
Phone book cover printing	20,000	24,000	24,500	26,500	27,500		234,500
	22,160	26,409	26,654	28,899	29,719		234,500
Gross profit as a %							
Expenses							
Salaries	7500	7500	7500	7500	7500		
Other wages	750	750	750	750	750		9,000
Benefits	204	204	204	204	204		2,450
Rent & equipment leases	1,800	1,800	1,800	1,800	1,800		21,600
Promotion	270	270	270	270	270		5,000
Maintenance	250	250	250	250	250		3,000
General and office expenses	300	300	300	300	300		3,600
Telephone and utilities	200	200	200	200	200		2,400
Insurance	166	166	166	166	166		1,992
Depreciation	750	750	750	750	750		9,000

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Yellow Page phone book cover

CASH FLOW STATEMENT - For the year ending December 31, 2006

	Jan	Feb	Mar	Apr	May	June	July
Month	1	2	3	4	5	6	7
Inflows							
Issuance of capital stock	100						
Collection of accounts receivable	30,000	20,000	15,000	15,000	24,000	24,000	25,000
Owner's initial investment	50,000	—	—	—	—	—	—
Outflows							
Incorporation costs	1,200						
Acquisition of fixed assets	5,000						
Repayment of shareholder loan			—	—	—	—	—
Payment of accounts payable	6,500	12,500	13,500	15,000	17,000	19,000	19,000
	Aug	Sept	Oct	Nov	Dec	Total	
Month	8	9	10	11	12		
Inflows							
Issuance of capital stock							100
Collection of accounts receivable	26,000	27,000	22,000	24,000	27,000		
Owner's initial investment	—	—	—	—	—		50,000
Outflows							
Incorporation costs							1,200
Acquisition of fixed assets							5,000
Repayment of shareholder loan	5,000	5,000	5,000	5,000	5,000		13,000
Payment of accounts payable	19,500	22,000	24,250	25,500	27,000		220,750